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SUBJECT: PERU'S "SUCCESS": A VIEW FROM THE LEFT

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Classified By: POL/C ALEXIS LUDWIG FOR REASONS 1.4 (B)

[1](#)1. (C) Summary: Whatever the manifest positive impact of Peru's economic success, many Peruvians have failed to benefit from it, according to our labor, social sector and "anti-systemic" contacts. This situation has led to a rising sense of frustration and discontent with the government, exacerbated now by inflation that disproportionately strikes the poor. In the critics' view, the government's "neo-liberal" focus on trade and investment is also perceived as downplaying social re-distribution, a perception heightened by concerns about corruption. Combined with the absence of an effective formal opposition (the Nationalist Party -- PNP -- falls short on this score), the significant left-of-center electorate feels unrepresented in the current political environment, and resentful that protesters are branded as "radicals" or even "terrorists". Anti-systemic leaders believe these trends augur well for their hopes in the 2010 regional and 2011 presidential elections, and many are jockeying for position in a game that remains in play. End Summary.

[1](#)2. (SBU) The following report is based on conversations with leftist political leaders, social movement and labor representatives, anti-government provincial mayors, coca grower leaders, and analysts sympathetic with the opposition. Reflecting the perspective of the Garcia government's large reservoir of detractors and critics -- 47% of Peruvian voters chose his opponent in the second round of the 2006 elections and fewer than 30% voted for him in the first round -- it represents a decidedly pessimistic view of Peru's progress during Garcia's first 21 months.

Behind the Good News...

[1](#)3. (C) Peru continues to generate good news, with an economy growing at 5% plus over the past seven years and by more than 8% in 2007. This sustained growth has begun measurably to reduce poverty -- from 48.6% in 2004 to 42% in 2007, according to Finance Ministry data -- and to stimulate increasing purchases of consumer goods, including among lower classes. Moreover, macroeconomic trends augur well with the approval of the U.S. Peru Trade Promotion Agreement by the

U.S. Congress and Peru's qualification at investment grade status by Fitch ratings, with many observers noting that Peru has rarely seen such a positive alignment of economic forces.

Yet behind the good news -- lodged in Peru's structural inequality, large pockets of poverty (mostly but not only in the southern sierras and Amazon regions) and complicated social environment -- lies another, less heartening story. This story in part explains the Garcia government's drop in the polls to below 30% nationwide for the first time since it took power July 2006.

¶4. (C) According to some analysts, part of the problem is the paradox of good news creating high expectations that, unmet, breed frustration and resentment. The logic goes as follows: "If things are going so well, if Peru now has a free trade agreement with the U.S. and is classified as a great place to invest and make money, then why am I not doing much better than I was before?" One highly regarded political analyst noted that in Peru's explosive environment, 8% growth is potentially more destabilizing than 4% would be. This is so because it fuels high expectations that the government cannot possibly meet but also because, by creating significantly more wealth for those already very well off, it exacerbates the stark economic inequalities which underly political instability. In addition, high growth is seen and felt most directly in certain already relatively prosperous areas such as Lima and other coastal cities, and less in others such as the southern sierras and amazon regions where poverty is deepest and most pervasive.

¶5. (SBU) The government is acutely aware of this dynamic of frustration, and President Garcia has repeatedly emphasized that more Peruvians must share in the trade and investment-generated bounty or the country (and government) risks confronting a popular backlash. To this end, the government continues to pursue high-impact social programs such as "Juntos" and "Crece" that seek to establish incentives for poor families to keep their children in school, receive periodic health care and reduce childhood malnutrition. Government contacts told us that while in Washington this week, Prime Minister Jorge Del Castillo's would speak directly to the stubborn challenges of converting economic growth into social benefits for Peru's neediest populations. The government is also pursuing state reform and decentralization programs that aim to make public institutions at every level more effective and responsive to the needs of the population (septel).

Inflation Strikes Poor Hardest

¶6. (SBU) Inflation, still low in international and regional terms, is an exacerbating factor. While only 4% in Lima in 2007, inflation of the basic goods most used by the poor has risen considerably more. Rises in the price of rice (67%), cooking oil (97%), wheat (141%), and corn (35%), as well as fertilizers used by subsistence farmers have hurt the most. (Note: These statistics reflect inflation in the Lima metropolitan area from March 2007 to March 2008. End Note.) At the same time, the price of potatoes -- the primary income generator of many low-income farmers -- has dropped significantly, making for a double whammy. If barely noticeable to the middle and upper-classes, the rise in price for basic foodstuffs means a great deal for the many Peruvians for whom, as one social sector contact reminded us, "one sol (about \$.37) is a lot of money." Many contacts note that among politically vulnerable populations subtle arguments regarding the "largely imported nature" of inflation in Peru today make no headway against the emerging view that, since hyperinflation marked President Garcia's first term (1985-1990), it is Garcia's fault that it has begun to return. In a recent national-urban poll, 57% of respondents ranked inflation as the main reason for their disapproval of the government.

The Government is "Neoliberal"

¶7. (SBU) Many in Peru view the government, notwithstanding its center-left APRA core, as "neoliberal", citing its

seemingly exclusive focus on promoting trade and private investment. Even center-right Presidential candidate Lourdes Flores recently criticized the government for failing to put sufficient focus on "redistributing" Peru's current wealth. When reminded of the government's existing social programs, such as those noted above or the Ministry of Women and Social Affairs distributing bags of food to poor families, our sources stress that an insufficient number of those in need are receiving help. Some NGO leaders cite Garcia's enthusiastic embrace of mining investment and dismissal of community complaints regarding the environmental and social impacts as further evidence of his decisive shift to the right. Many of our contacts claim that Alberto Fujimori remains the only president who ever did anything for the countryside -- bringing electrification, roads, and assistance to farmers -- and that, by contrast, Garcia is all words and few deeds. Government officials and APRA leaders have responded that the problem lies in the failure to publicly broadcast the government's accomplishments.

Corruption Fattens the Powerful

¶8. (C) The perception that corrupt government leaders skim from public resources exacerbates popular resentment. According to a recent national-urban poll, 43% of Peruvians said they considered corruption the country's biggest problem. In a conversation with poloff, cocalero leader and Congresswoman Nancy Obregon railed against pervasive narco-corruption in the government and security forces. She claimed the GOP's entire counter-narcotics strategy was designed to punish coca farmers while maintaining illicit networks of enrichment, following the example of the Fujimori administration in the 1990s. Fueling such views are press reports highlighting the involvement of military, police, judicial officials and others in deeply entrenched and extensive structures of corruption, and reports of other public officials using their positions in pursuit of private gain. (Note: Levels of actual corruption were arguably much greater under Presidents Fujimori and Toledo and even during Garcia's first term, but polls reflect perceptions rather than ground truths in many cases. End Note.) The declining image of Congress -- portrayed as spending its time squabbling over internal problems such as absenteeism, nepotism, or the hiring of phantom advisors rather than debating national issues such as poverty reduction and state reform -- has played into these negative perceptions. Popular support for the legislative branch in polls has dropped below 20%, a level reminiscent of the Toledo years. (Note: Although corruption remains an difficult challenge, the problem was certainly worse during Garcia's first government (1985-1990), the Fujimora era (1990-2000), and probably even the Toledo government (2001-2006). End Note.)

Without Formal Representation, Opposition Equals Radicalism

¶9. (SBU) Given perceptions that the Garcia government has moved to the center right and that no effective formal opposition to it exists, many (left-leaning) Peruvians feel increasingly unrepresented in the current political environment. In the view of many of our leftist contacts, Ollanta Humala and his Partido Nacionalista Peruana (PNP) bloc of 23 congressional representatives have failed to assume the mantle of opposition leadership by forcefully opposing the government's "neoliberal" agenda. Nor has Humala led the fight to pass any important social policies. Our contacts point to the contrast between Humala and Bolivian President Evo Morales, who during his period as opposition leader (2002-2006) pressed the government to implement a variety of "anti-neoliberal" policies. (Note: Morales recently sparked a minor controversy with public comments that Peru, following Paraguay's footsteps, would be the next country to fall into the region's leftist orbit. End note.)

¶10. (C) Moreover, many leftist leaders complain about what they see as the government's effort to stifle dissent by branding protestors "radicals" or "terrorists" often linked to Venezuela. In the past three months, the government has

alternately blamed different protests on the FARC, MRTA, Sendero Luminoso, Patria Roja, the Bolivarian Continental Coordinator, and Venezuelan ALBA or friendship houses. Leftist groups have responded by converting the 20-year-old Melissa Patino -- arrested in February returning from a Bolivarian conference in Quito (Ref B) -- into a symbol of the government's politicized attack. Patino is described as a student-poet who did nothing other than attend a leftist rally; even the prominent daily La Republica has caught on and published a featured story on her alleged persecution. As one analyst scoffed about alleged government exaggeration: "I can believe that radical groups or Venezuela may be fomenting discontent, but not that they're behind every protest everywhere." (Note: Politically motivated radicals have played a role in organizing at least some protests. Refs C and D.) A PNP congressional advisor told poloff that the government's confrontational attitude, by reducing the space for legitimate political dissent, is increasing the likelihood that the poor will seek leaders offering radical solutions.

Anti-Systemic Actors Seek to Capitalize

¶11. (C) Anti-systemic leaders believe these trends and rising political pressures augur well for their hopes in the 2010 regional and 2011 presidential elections because they leave the large (and expanding) center-left wedge of the political spectrum open for the taking. Whatever his weaknesses and failures, Ollanta Humala remains the anti-system's principle reference point, and has used his La Primera newspaper to attack the government with a litany of accusations on inflation, corruption, indifference to the poor and even alleged U.S. plans to establish a military base.

¶12. (C) Many others too -- in varying combinations of radicalism and moderation, with and without the support of the Venezuelan government through its Mission Milagro and other programs -- are jockeying for position. In certain politically vulnerable regions of the country such as mining-rich Cajamarca in northern Peru, radical parties such as Patria Roja are actively working to build on their strong second-place showing in the 2006 regional and national elections. Using the anti-mining movement as a springboard, these groups are linking up with local, national and international activist groups to expand their influence and undermine the government within local communities, including by challenging the Garcia administration's central pro-growth, pro-investment strategy. However this plays out, if past patterns hold, the candidate who bears the anti-systemic flag into the next elections will emerge from the mix as an outsider at the last moment, gaining political support in proportion to the level and extent of popular discontent with the system and the government at the time.

Comment: 2011 Key

¶13. (C) The government's task is clear: build support for the system by reducing popular disaffection and discontent. Continued high growth, combined with further declines in poverty, will be key. Better distributing the benefits of that growth to more people -- through increased and more effective investment in such areas as transportation and communication infrastructure, education and health -- are equally critical. If in the 2006 presidential elections, Peruvians rejected radical solutions by a 53% to 47% margin, success in 2011 will be measured in a greater margin of victory. The government clearly understands this. If one listens to the skeptics, critics and detractors, however, one must conclude that Peru political fate remains in play and the victory of pragmatism over populism is not yet definitive.

MCKINLEY